



EFL Associates

8181 East Tufts Ave., Ste. 600
Denver, CO 80237-2579
Ph: 303.779.1724
www.eflassociates.com

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

CHIEF INVESTMENT OFFICER & EXECUTIVE DIRECTOR

POSITION SPECIFICATIONS

CLIENT

Overview

Our client is the North Dakota Retirement & Investment Office (RIO) which was established in 1989 to coordinate the activities of the State Investment Board (SIB) and the Teachers' Fund For Retirement (TFFR) as stipulated by state statute. RIO fulfills the mission of the SIB to provide cost-effective investment services to its constituents, consistent with their respective investment policies and guided by the premises of the Prudent Investor Rule. In addition, the RIO administers the management and disbursement of retirement benefits to TFFR members. The RIO is based in Bismarck, the state capital of North Dakota, and employs a staff of 17.

The SIB has statutory responsibility for the administration of investment programs of several funds, including the TFFR, the Public Employees' Retirement System (PERS), the Workforce Safety and Insurance Fund, as well as contractual relationships for investment management for certain political subdivisions. The SIB is an 11 person board, chaired by the Lt. Governor, and also includes the State Treasurer, the State Insurance Commissioner, the Executive Director of the Workforce Safety & Insurance office designee, the Land Commissioner and three representatives each of PERS and TFFR, appointed by their respective boards. Professional investment managers, consultants and custodians are retained to assist in the implementation of the investment program.

Location

RIO is headquartered in Bismarck, with the population of Bismarck/Mandan just over 100,000 that adjoins the banks of the Missouri River. Bismarck boasts one of the lowest unemployment rates in the country and is home to Bismarck State College and the University of Mary, a Benedictine Sisters supported 4-year university. Bismarck has an excellent K-12 school system. Bismarck was named one of the top 100 places to live in 2008 and 2010 by *Money* magazine based upon its low cost of living, low crime rate, robust economy and available recreational opportunities. *Money* dubbed it "the least stressful town in America." The City and State operate a large park system and an extensive trail network that provides many opportunities for outdoor recreation.

Investment Process/Strategy

The SIB has adopted an established investment process, comprised of the following three phases:

- Investment policy development/modification
- Implementation/monitoring
- Evaluation

With substantial help from the CIO/Executive Director and RIO staff, the SIB implements the investment strategies of its 25 individual clients based upon their respective investment guidelines pertaining to asset allocations as determined by their individual boards. Investments are managed in pools for cost efficiencies. The SIB engages professional external investment managers to implement investment strategies designed to maximize returns in accordance with established risk policies. The CIO/Executive Director and RIO staff effectively function as a “manager of managers” and coordinate the activities of these external investment managers, the custodial bank and the professional investment consultant. The number of professional external investment managers is 41 and they manage 112 separate investment strategies. The SIB has engaged Northern Trust of Chicago as its custodian and Callan Associates Inc (CAI) as its professional investment consultant.

As of June 2010, the SIB portfolio totaled approximately \$5 billion, with \$3.3 billion in pension funds and \$1.7 billion in insurance funds. At this same point, the SIB had 13 statutory clients and 12 contracted clients. The SIB may provide investment services to, and manage the money of, any agency, institution, or political subdivision of the state, subject to agreement with the industrial commission. The scope of services is contractually stipulated and fees for these services may be charged, in which case they must be deposited in the State retirement and investment fund.

As of June 2010, the asset allocation of the pension and insurance funds was as follows:

<u>Pension Asset Class</u>	<u>Percent Actual</u>	<u>Percent Target</u>
Large Cap	30.1%	28.8%
Small Cap	9.4%	9.9%
Domestic Fixed-Income	18.8%	19.2%
High Yield	5.6%	6.0%
International Equity	12.9%	13.6%
Emerging Markets	5.9%	4.8%
Int'l Fixed-Income	5.6 %	5.1%
Real Estate	6.3%	6.8%
Alternative Investments	3.8%	4.8%
Cash Equivalents	1.6%	1.0%
	100%	100%

<u>Insurance Asset Class</u>	<u>Percent Actual</u>	<u>Percent Target</u>
Large Cap	9.9%	8.8%
Small Cap	4.0%	3.0%
International Equity	6.8%	5.7%
Domestic Fixed-Income	42.0%	42.9%
Inflation Protected	17.2%	17.4%
Enhanced Cash	12.7%	12.7%
Cash & Equivalents	5.1%	4.8%
Real Estate	<u>2.4%</u>	<u>4.7%</u>
	100%	100%

Over the past 25 years, the pension funds under the SIB have netted a return of about 8.5%, which exceeds the actuarial assumed investment return rate of 8%. Performance over this period is similar to the average returns of other public pension funds.

Pension Administration

TFFR was established in 1913 to provide retirement income to public educators. TFFR is a defined benefit public pension plan. Responsibility for administration of the TFFR benefits program is assigned to a 7 person board of Trustees. This board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. Appointed members serve five-year terms which expire on June 30 of alternate years. The appointed Board members must include two classroom teachers or guidance counselors, a school administrator, and two retired members. The TFFR benefits program is administered through the RIO under the immediate direction of the Deputy Executive Director/Chief Retirement Officer and staff.

Like other public pension plans, TFFR faces a significant funding challenge as a result of the downward investment market forces of 2008-09. Without action, the TFFR's funded level is expected to decrease from its 2009 level of 78% to approximately 50% within the next five years. The TFFR Board studied the various options available to it and has submitted three bills to the Legislative Employee Benefits Programs Committee (LEBPC) for study during the 2010 interim period. The proposed legislation address increased funding proposals, modification of benefits, redefining retirement eligibility, and various benefit plan administrative changes.

RESPONSIBILITIES

The CIO/Executive Director is appointed by and serves at the pleasure of the SIB and is responsible for the planning, supervision and direction of RIO operations in accordance with all applicable governing statutes and Board governance policies.

Key areas of responsibility include:

Investment Administration/Policy

- Works with the TFFR and PERS boards, and other clients, to formulate investment policies pertaining to the kind or nature of investments and limitations, conditions and restrictions upon the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions that should govern the investment of funds.

- Monitors investment performance using both sophisticated software products and quantitative measurement methods based on performance benchmarks and risk characteristics to evaluate the performance of various funds, assets classes and individual external investment managers.
- Directs the preparation of all necessary reports to keep the SIB apprised of investment performance, managing compliance with stated investment policies and contractual guidelines.
- In conjunction with the external investment consultant, monitors and evaluates the various investment options and develops appropriate research and recommendations for the SIB to evaluate new investment vehicles and potential external investment managers.
- Subject to the limitations contained in the law and policies adopted by the SIB, the CIO/Executive Director may sign and execute all contracts and agreements to make purchases, sales, exchanges, investments and reinvestments relating to the funds under the management of the SIB.

Pension Administration

- Oversees the Deputy Executive Director/Chief Retirement Officer and subordinate staff responsible for administering accurate, prompt, and efficient pension benefits program to constituents and educational outreach initiatives, including pre-retirement seminars and individual benefits counseling sessions.

Office Administration

- Provides leadership, coaching and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
- Directs the preparation and execution of the budget and legislative agenda. Assures follow through and evaluates results.
- Establishes and maintains working relationships across all organizational work units and levels.
- Represents the RIO and promotes its various programs to various stakeholders, constituencies, political subdivisions and the state legislature.
- Assures accountability and compliance with all statutory and SIB prescribed policies and procedures.

EDUCATION AND EXPERIENCE

- Bachelor's degree in business administration, finance, economics or a related field. Master's or other advanced degree in an appropriate specialized field of study is preferred. CFA certification is strongly preferred.
- Substantial progressively responsible experience in investment related duties at a public pension fund, foundation, endowment, trust, investment consulting firm, bank, insurance company, or similar entity, including combined management/executive management experience.
- Knowledge of laws, rules, regulations and professional standards regarding pension fund assets and investments.
- Knowledge of modern portfolio theory and its application, investment analysis, accounting and pension plan management, and a broad understanding of all investment asset classes.
- Knowledge of principles of research, statistics, actuarial calculations, and accounting.

- Knowledge of Federal and State laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.
- Experience and skill in gathering, researching and analyzing financial information and applying this information as appropriate.
- Experience in creating spreadsheets and using databases.
- Experience working with a board is strongly preferred.

PERSONAL CHARACTERISTICS

- Strong ethics and high degree of integrity.
- Highly effective communication and presentation skills; the ability to prepare and present clear and understandable written and oral reports; desire and ability to educate SIB members and others about the complexities of the investment portfolio.
- Ability to establish and maintain positive working relationships with a variety of constituents including staff, Board members, consultants, investment professionals, legislators, government officials and members.
- Excellent analytical skills.
- Good judgment and common sense.
- Must exhibit strong leadership, problem-solving, and decision-making abilities. Ability to effectively lead and influence others in a confident, positive and results-oriented manner.
- Demonstrated ability to effectively supervise, develop and direct the activities of a professional management staff.
- Proven ability to analyze, evaluate, and resolve major organizational issues, conflicts and challenges.
- Ability to think and plan on both a conceptual and a strategic level.
- Ability to effectively promote and lead continuous process improvement efforts.

COMPENSATION

Compensation will correspond to the experience level, credentials, and personal characteristics of the candidate, and be consistent with local and statewide market conditions. Benefits provided to all state employees are also available for this position, including: paid family health insurance coverage, life insurance, and a retirement plan and retiree health insurance credit plan funded at 9.26% of annual salary.

NON-DISCRIMINATION

Our client and EFL Associates firmly support the principle and philosophy of equal opportunity for all individuals, regardless of age, race, gender, creed, national origin, disability, veteran status or any other protected category pursuant to applicable federal, state or local law.

EFL ASSOCIATES
8181 East Tufts Ave., Ste 600
Denver, CO 80237-2579
Phone: 303-779-1724
www.eflassociates.com

Mary L. Hobson, Executive Vice President
Email: mhobson@eflassociates.com

Daniel J. Cummings, Vice President
Email: dcummings@eflassociates.com

Brittney Friesell, Associate
Email: bfriesell@eflassociates.com